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# Responding to Foreclosures in Cuyahoga County, 2010 Evaluation Report January 1, 2010 Through December 31, 2010

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# Cleveland State University



Maxine Goodman Levin  
College of Urban Affairs

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May 2011

**Responding to  
Foreclosures in  
Cuyahoga County,  
2010 Evaluation  
Report  
January 1, 2010  
Through  
December 31, 2010**

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## **Responding to Foreclosures in Cuyahoga County 2010 Evaluation Report Executive Summary**

The foreclosure crisis in Cuyahoga County started earlier than in other parts of the country, hit harder and has been highly concentrated in low-income minority neighborhoods. The negative impacts are far reaching—touching homeowners, neighborhoods and entire cities. The County Commissioners stepped in early in 2006 to assist municipalities and homeowners through a comprehensive system of information and referral, face to face foreclosure prevention counseling provided by HUD-certified housing counseling agencies, rescue funds, nuisance abatement, mediation and legal services. Under the County's leadership, the program has emerged as a national model of how local governments, nonprofits, and institutions of higher education can come together to address a crisis through collaborative and effective public management.<sup>1</sup>

The number of foreclosure filings is not abating, but the nature of the problem is changing. For the first time, in 2008, more foreclosures were filed in the suburbs than in the City of Cleveland and agencies are seeing clients from every municipality in the County, indicating a shift in geography and in the type of clients and the reasons for foreclosure.

In 2006, the County engaged the Maxine Goodman Levin College of Urban Affairs to evaluate the foreclosure prevention aspects of the initiative. The evaluation team provides continuous feedback that the County uses to assess whether the program is having its desired impact, to improve the program and to respond to emerging local needs. The evaluation finds that the face-to-face, comprehensive counseling that is the hallmark of the Cuyahoga County Foreclosure Prevention Program is very effective. In 2010, the program helped 44% of clients who completed the counseling process avert foreclosure and keep their homes. This compares very favorably with early results from the National Foreclosure Mitigation Counseling program.<sup>2</sup>

With more than 26,000 vacant parcels county-wide<sup>3</sup> and thousands more homeowners losing their homes, the effects of the crisis will be long lasting and far-reaching. Foreclosures pose special challenges for local governments that are faced with thousands of vacant properties, declining property values, declining tax bases, declining bond ratings and increasing demolition costs. The long term impacts of the crisis in terms of limiting access to credit, especially for low-income, high risk households is only beginning to be felt.

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<sup>1</sup> Claudia Coulton, Kathryn Wertheim Hexter, April Hirsh, Anne O'Shaughnessy, Francisca G.-C. Richter and Michael Schramm, Facing the Foreclosure Crisis in Greater Cleveland: What Happened and How Communities are Responding, The Federal Reserve Bank of Cleveland, 2010.

<sup>2</sup> NeighborWorks America, National Foreclosure Mitigation Counseling Program, Congressional Update, Activity through March 31, 2009, June 2, 2009 reported that 25% of national counseling clients averted foreclosure. 42% were still in counseling.

<sup>3</sup> This is an estimate done by the Center on Urban Poverty and Community Development at CWRU based on data from the U.S. Postal Service, the City of Cleveland, the Cuyahoga County Court of Common Pleas, the Cuyahoga County Sheriff, the Cuyahoga County Auditor.

### About the Program

The Cuyahoga County Foreclosure Initiative was launched in 2005 as a three-year pilot program that involved eleven County agencies, universities and nine nonprofit organizations as well as municipalities, consumer and housing advocates, lenders and community development groups. For the County departments, it marked a new, collaborative way of doing business, a significant increase in funding and a broadening of scope to address the crisis caused by the rising tide of foreclosures and vacant and abandoned properties in Cuyahoga County.

The objectives of the Cuyahoga County Foreclosure Prevention program are to:

2. Coordinate outreach to homeowners in Cuyahoga County and connect them to foreclosure counseling and/or court mediation resources
3. Raise and distribute funding and other resources to partner counseling agencies
4. Administer rescue loans to provide one-time assistance to homeowners who have difficulty paying their mortgages
5. Conduct research on and provide publicly available information concerning the nature and scope of the evolving foreclosure crisis
6. Advocate for and support legislative initiatives at the state and federal level that better address the local foreclosure crisis

The county partners with a number of participating community agencies to deliver services:

- United Way 211 First Call for Help
- HUD-certified counseling agencies:
- Cleveland Housing Network
- Community Housing Solutions
- Neighborhood Housing Services of Greater Cleveland
- Empowering and Strengthening Ohio's People
- Legal Services Agencies

### The County Role

The County plays a key role in this program on a number of levels. On an administrative level, in Ohio, responsibility for virtually every aspect of the foreclosure process falls within County government departments.<sup>4</sup> So it is not surprising that when the effects of the crisis were first felt, the 15 mayors of the First Suburbs Consortium<sup>5</sup> turned to Cuyahoga County government for relief.

The County also leverages the critical resources needed to mitigate the negative impacts

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<sup>4</sup> Under the new Cuyahoga County organizational structure, it falls within the Finance and Administration Department and the Legal and Judicial Department: including the Recorder's Office, the Treasurer's Office, the Board of Revision, the Department of Development, the Court of Common Pleas, the Clerk of Courts and the Sheriff.

<sup>5</sup> The First Suburbs Consortium is comprised of the cities of Bedford, Bedford Hts., Brook Park, Cleveland Hts., Cuyahoga Hts., Euclid, Fairview Park, Garfield Hts., Lakewood, Maple Hts., Parma, Shaker Hts., South Euclid, University Hts., Warrensville Hts. and East Cleveland

of the crisis on cities and residents in the County. The County's leadership has resulted in:

- \$1.2 million in private and philanthropic funds raised for foreclosure prevention
- Legislative authorization of the use of DTAC funds for rescue loans and nuisance abatement and demolition
- Legislative authorization of the first County-wide land reutilization authority in the state
- Increased federal funds for foreclosure prevention and assistance through the state to Cuyahoga County
- Creation of the Foreclosure Mediation Support Program, an innovative program to make counselors available to consult with homeowners in mediation
- Expanded outreach to suburban areas of the county experiencing high foreclosure rates or determined to be at high risk of foreclosure (1,100 homeowners attended workshops)
- Rescue loans up to \$3,000 per loan made available to help 456 homeowners stay in their homes.

The County's funding has been effectively used to innovate and respond to rapidly changing needs. Unlike federal funds (which were not available when the County program started but have since been made available) which can only be used for very specific aspects of foreclosure prevention, County funds can be tailored to better meet changing local needs. A good example of this is the creation of the Foreclosure Mediation Support Program to provide useful information about mortgage modification options to homeowners in mediation.

The County also plays a key convening role. The level of coordination among all the County departments and the community partners and stakeholders is a model for other County initiatives. County leaders reached internally to County departments to address the foreclosure issues faced by local communities and reached out to the housing counseling agencies it had traditionally funded to expand their services to include foreclosure prevention counseling. It required that the agencies add certified counselors, adopt a common data collection reporting mechanism for increased accountability and work together as a condition for receiving County funding. Without the County as funder and convener the agencies would not be working together to the extent that they do.

### Funding

Since 2006, to support the foreclosure prevention and rescue funds the County has made available a total of \$572,500 in General Funds, \$700,000 in Block Grant funds, and two temporary special use funds, \$400,000 in TANF funds and \$3 million in DTAC funds. It has also leveraged those resources with \$1.2 million from private and philanthropic sources.

The Funds have been allocated to:

Foreclosure Prevention Counseling	\$2.2 million
Rescue Funds	\$1.1 million
Operating and Other Expenses	\$1.1 million

### Clients Served

Since the program began in March 2006 through December 31, 2010, the participating agencies have served a total of 11,065 clients. The number of clients peaked at 4,440 in 2010. From March 2006 through December 2010, “211” received 20,009 calls for foreclosure prevention assistance. The number of calls peaked in 2007 with an all-time monthly high of 1,481 calls in August 2007 and 5,503 calls for the year.

In 2010, agencies saw 4,124 clients.

- 59% are female, 13% are female heads of household
- 11% are seniors 62 years of age or older
- 58% are African American, 10% Hispanic
- 74% had incomes at or below 80% of Area Median Income (same)
- 42% in foreclosure due to reduction in income or loss of income, only 5% due to increase in loan payment amount
- 63% had fixed rate loans at 8% or under
- 5% had ARMS of 8% or greater
- 48% had bad (500-580) or very bad (499 and below) credit scores
- 48% of clients lived in Cleveland
- 39% of clients lived in the first suburbs
- 13% of clients lived in the remainder of the County

### Outcomes

In 2010 the agencies assisted 44% of counseling clients in modifying their mortgages and staying in their homes, through various methods. This percentage is down from 53% in 2008 program year. About 22% of the clients received modifications and about 10% initiated forbearance agreements. Modifications enable homeowners to stay in their homes and hold the most promise in terms of long-term sustainability of homeownership. An additional 4% of clients sold their homes through either a pre-foreclosure, short, or other sale. While these homeowners were not able to stay in their homes, the outcome was mutually determined to be in their best interest and is a better outcome for communities than foreclosure. Agencies are able to assist these homeowners with relocation.

These outcomes are impressive given the increasingly difficult financial situation of homeowners facing foreclosure and the ever-changing programs, as discussed in other sections of the report. In 2010 the percentage of clients who withdrew or were suspended from counseling increased to 37%, from 29% in 2009. Clients who are in the counseling pipeline but do not respond to a series of follow-up calls from agencies (usually three) are categorized as suspended. If they return to the agencies for assistance, their case is re-activated. If upon their return, their original presenting problems have changed, a new case number is opened.



### Mediation

3,855 or 30% of all borrowers in foreclosure (including investor owners) applied for mediation. This represents a 10% increase from the first year in which mediation was offered, when 20% of borrowers in foreclosure requested mediation. It is important to note that some homeowners take advantage of both counseling and mediation, but only those with foreclosure filings are eligible for mediation while all homeowners are eligible for counseling. You do not have to be in foreclosure to seek counseling.

In April 2010, the Cuyahoga County Foreclosure Prevention Program and the Cuyahoga County Court of Common Pleas Foreclosure Mediation Program jointly created The Foreclosure Mediation Support Program. This program is a formal arrangement to provide the opportunity for homeowners entering mediation to consult with Cuyahoga County Foreclosure Prevention Counseling Agencies on site at the Justice Center.

Between April 30 and December 31, 2010, Foreclosure Mediation Support Program counselors on site at mediation saw 257 clients, about 18% of pre-mediations. 40% of those contacted set up appointments for full intakes with one of the partner agencies. 7% reported that they were already working with a counseling agency. 40% of mediation clients seeing counselors were from Cleveland, a percentage comparable to the share of foreclosure filings that were in Cleveland.

### Conclusion and Recommendations

The County's leadership and early investment in foreclosure prevention has created an integrated system of information and referral, counseling, rescue funds, mediation, outreach and education that otherwise would not exist and does not exist in other Counties in Ohio. Since 2006, it has reached over 11,000 homeowners at risk of foreclosure. Between 2008 and 2010, for example, the program has enabled 2,237 homeowners to stay in their homes. That equates to significant benefits for homeowners and cities. A recent report by National People's Action estimates an average of \$2,206 in lost property taxes per vacant property per year in Ohio, which results in nearly \$5 million in lost property taxes to the County for a single year<sup>6</sup>.

The rate of foreclosure filings has slowed, but it is still at unacceptably high levels. Foreclosure is no longer limited to low-income, minority neighborhoods, though they have been disproportionately impacted. It now touches every municipality and demographic of the County. The 2010 census found that Cuyahoga County's population declined 8.2 percent between 2009 and 2010 from 1,393,979 to 1,280,122. Efforts to turn around the population loss will depend on the County's ability to attract and retain homeowners by creating high quality places for people to live.

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<sup>6</sup> Nicholas Bianchi, Foreclosing on Ohio: Big Bank Foreclosures in Cincinnati, Cleveland and Columbus, National People's Action, May 2011. The author estimates an annual loss of property tax revenue due to vacant and abandoned properties at \$2,206 for cities in Ohio. Cleveland State University applied this estimate to the 2,237 homeowners that the Foreclosure Prevention Program has helped keep in their homes to achieve a result of \$5 million in lost property taxes to Cuyahoga County per year.

Until local housing markets can resume their normal functioning, foreclosure prevention should remain a centerpiece of the County's efforts to keep cities and the County as competitive as possible, improve the quality of the housing stock, preserve property values and tax base and assist homeowners. The County's funding and leadership have been critical in enabling the agencies to respond to rapidly changing local needs related to foreclosure. Efforts to address the crisis must continue to be multifaceted and coordinated. This should be a key part of the county's economic development strategy going forward.

## **Responding to Foreclosures in Cuyahoga County 2010 Evaluation Report**

### **Introduction**

In 1999, there were 4,900 residential foreclosure filings in Cuyahoga County. That number doubled to about 10,000 by 2005 and peaked in 2007 at close to 14,000. In 2010, the County had just over 12,000 residential foreclosure filings. While the cause of foreclosures has changed, the devastating impact on homeowners and communities has not. Despite a myriad of federal programs designed to mitigate the impact of the crisis, including a brief moratorium, it continues almost unabated. With more than 26,000 vacant parcels county-wide<sup>7</sup> and thousands of homeowners losing their homes, the effects of the crisis will be long lasting and far-reaching.

In Ohio, County Courts of Common Pleas, agencies and departments have some level of authority and responsibility for virtually every step of the foreclosure process. So it is not surprising that when the effects of the crisis were first felt, the 15 mayors of the First Suburbs Consortium<sup>8</sup> turned to Cuyahoga County government to help them address this crisis. In response, in August 2005, the Cuyahoga County Commissioners launched a broad Foreclosure Initiative with two goals: making foreclosure proceedings faster and fairer to aid municipalities struggling with properties “in limbo” as a result of being stuck in the foreclosure pipeline and preventing foreclosures with aid residents who wanted to keep their homes. Since that time the Initiative has made measurable progress on both fronts.

The initial assessment looked at the first eighteen months of the foreclosure initiative and examined a coordinated effort involving eleven County agencies and nine Nonprofits. Since that time the evaluation has been limited to evaluating foreclosure prevention activities.

Cuyahoga County’s Foreclosure Initiative continues to evolve, adapting to the rapidly changing nature of the crisis. The County has continued to provide funding for the centerpiece of the program, foreclosure prevention counseling, which has been shown to be very effective in terms of helping homeowners to stay in their homes. In May 2008, the Cuyahoga County Court of Common Pleas adopted a foreclosure mediation program in response to Ohio Supreme Court exhortation. The mediation program provides another strategy that homeowners facing foreclosure can use.

In April 2010, the Cuyahoga County Foreclosure Prevention Program and the Mediation Program started a program for foreclosure prevention counselors to be on site at the court and available to assist homeowners. This newest adaptation to the program is called the

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<sup>7</sup> This is an estimate done by the Center on Urban Poverty and Community Development at CWRU based on data from the U.S. Postal Service, the City of Cleveland, the Cuyahoga County Court of Common Pleas, the Cuyahoga County Sherriff, the Cuyahoga County Auditor.

<sup>8</sup> The First Suburbs Consortium is comprised of the cities of Bedford, Bedford Hts., Brook Park, Cleveland Hts., Cuyahoga Hts., Euclid, Fairview Park, Garfield Hts., Lakewood, Maple Hts., Parma, Shaker Hts., South Euclid, University Hts., Warrensville Hts. and East Cleveland

## Foreclosure Mediation Support Program.

### **Methodology**

In August 2006, the County entered into a contract with the Maxine Goodman Levin College of Urban Affairs, Cleveland State University to help them understand the successes and barriers of the Initiative, to gather information that could be used to improve and adapt the program going forward, to understand if the program was accomplishing its goals and objectives and to offer lessons for other cities and counties facing what may well be one of the most challenging urban issues of the Century. This report is the fifth on the progress of the initiative and covers calendar year 2010.

The evaluation uses a continuous learning model, with feedback provided to the County on a regular basis to track progress and improve program operations. Because of the County's longstanding interest in program assessment and evaluation, there is now five full years of data about foreclosure prevention activities in Cuyahoga County.

The information used in this report was drawn from the following sources:

1. Semi-annual face-to face-interviews with counseling agencies and county program staff.
2. Monthly county foreclosure counseling agency coordinating meetings.
3. Monthly reports of data on foreclosure counseling client demographics and outcomes provided by the agencies to the County Department of Development and the Treasurer's Office.
4. Data on foreclosures provided by the Northeast Ohio Data and Information Service of the Levin College, NEO CANDO at Case Western Reserve University, and the Federal Reserve Bank of Cleveland.
5. 211 First Call for Help documentation of calls and referrals by service type and agency, a description of their referral process, and definitions of the service categories used.
6. Data on the Foreclosure Mediation Support Program
7. Cuyahoga County's Delinquent Tax Administration and Collection (DTAC) funds Rescue Loans.

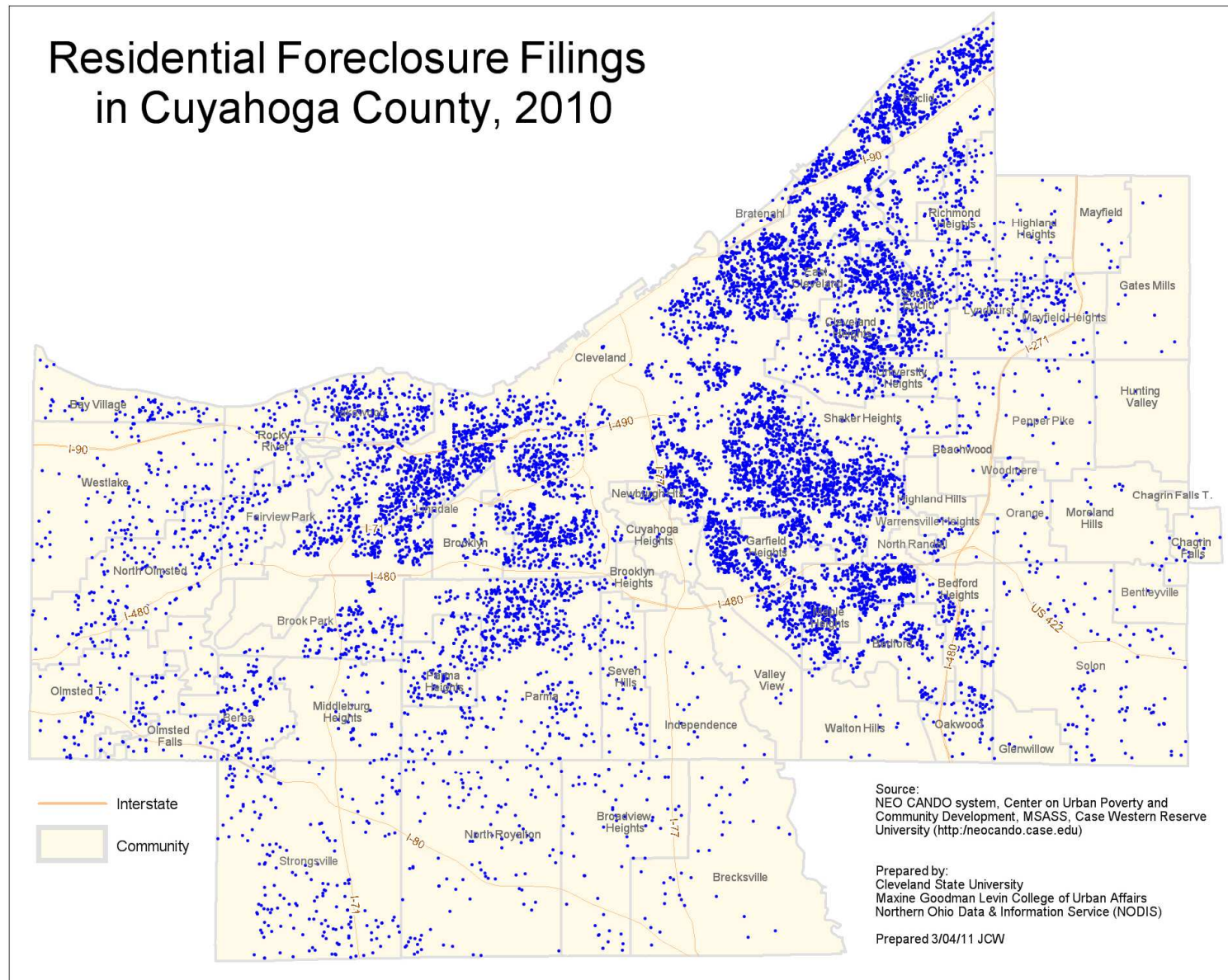
Our work would not be possible without the full cooperation and assistance of the numerous County departments, agencies and the counseling agencies. We especially wish to thank Paul Herdeg, Housing Manager, Department of Development; Paul Bellamy, Foreclosure Prevention Program manager, for their commitment to making sure that we were able to get the information we needed.

## **Foreclosure Trends**

Nationally, experts are predicting that the number of foreclosure filings may have peaked. Cuyahoga County was hit earlier and harder than other parts of the country and continues to see a foreclosure rate of 8%. The County's housing market never experienced the huge housing price bubbles that rapidly growing parts of the country faced. Rather, the problem in Northeast Ohio was the result of an increase in predatory lending, a lax state regulatory environment, a stagnating economy and a weak housing market. But, by all accounts, the foreclosure crisis in Cuyahoga County is likely to continue at least for the near future, exacerbated by the current recession and loss of jobs.

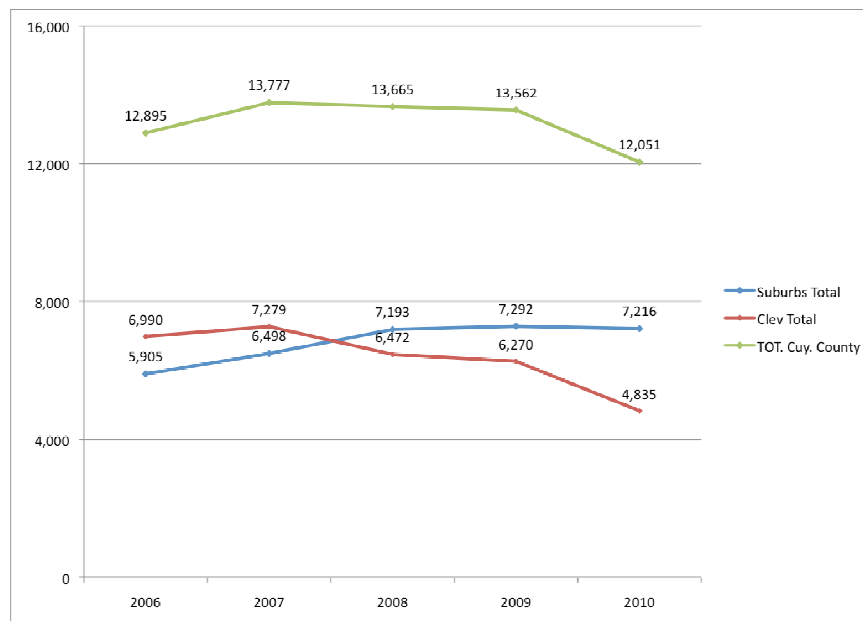
In 2010, 12,051 or approximately 3% of all residential units in Cuyahoga County were in foreclosure. In 2008 for the first time, the number of foreclosure filings in the suburbs surpassed the number in the city of Cleveland and that trend has continued. The number of foreclosure filings in Cleveland has declined by 34% from a peak of 7,300 in 2007 to 4,800 in 2010. In 2010, 60% of foreclosure filings in the County were in suburbs.

Map 1.



As foreclosures shift outward from the City and the reason for foreclosure shifts from “bad” loans to loss of job or income, the County foreclosure prevention program has expanded its efforts to reach suburban homeowners at risk of foreclosure.

**Chart 1. Foreclosure Filings, Residential Properties, Cuyahoga County 2006-2010**



### **The Cuyahoga County Foreclosure Prevention Program, 2010**

The objectives of the Cuyahoga County Foreclosure Prevention program are to:

1. Coordinate outreach to homeowners in Cuyahoga County and connect them to foreclosure counseling and/or court mediation resources
2. Raise and distribute funding and other resources to partner counseling agencies
3. Administer rescue loans to provide one-time assistance to homeowners who have difficulty paying their mortgages
4. Conduct research on and provide publicly available information concerning the nature and scope of the evolving foreclosure crisis
5. Advocate for and support legislative initiatives at the state and federal level that better address the local foreclosure crisis

**Program Administration.** From 2008-2010, the program was housed and administered in the offices of County Treasurer. The County’s Department of Development provides funding for counseling

services to clients in the “urban county.”<sup>1</sup> It also ensures compliance with County and Federal funding rules. This compliance is ensured through annual monitoring. Prior to 2008, the program had a dual administrative structure by both of these offices, as described in previous reports.

The program has one full-time staff person, Paul Bellamy. Program staff members work closely with the Department of Development, the County Administrator’s office, the Prosecutor’s office, as well as with other County departments involved in foreclosures.

It is important to note that in November 2010, voters approved a County Charter that called for a reorganization of County government. The new government structure took effect on January 1, 2011. Under the new Cuyahoga County organizational structure, it falls within the Finance and Administration Department and the Legal and Judicial Department: including the Recorder’s Office, the Treasurer’s Office, the Board of Revision, the Department of Development, the Court of Common Pleas, the Clerk of Courts and the Sheriff. It is not clear how the reorganization will affect the program administration of the foreclosure prevention initiative.

Community partners include both funding partners (local banks, corporations and foundations) and service delivery partners (United Way Services 211 First Call for Help, Cleveland Housing Network (CHN), Community Housing Solutions (CHS), Empowering and Strengthening Ohio’s People (ESOP), Housing Services of Greater Cleveland (NHSGC), the Home Repair Resource Center (HRRC) in Cleveland Heights and Legal Aid Society of Greater Cleveland.

**Eligibility.** County residents are eligible to receive counseling and legal services through the County Foreclosure Prevention Program provided the property in question is the principal residence, the resident has the means to meet monthly obligations going forward, and the resident wants to stay in the home. Clients who do not meet these eligibility requirements are referred to other assistance programs.

**Agencies.** In 2010 the Cuyahoga County Foreclosure Prevention Program funded five nonprofit agencies to do foreclosure prevention counseling: Community Housing Services (CHS), Empowering and Strengthening Ohio’s People (ESOP), Cleveland Housing Network (CHN), Neighborhood Housing Services of Greater Cleveland (NHSGC), the Home Repair Resource Center (HRRC) in Cleveland Heights and United Way Services First Call for Help “211.” In addition, the program funded the Housing Advocates Inc. to provide legal support services. The HRRC was added in 2010 as a way of reaching more suburban homeowners at risk of foreclosure.

**Foreclosure Prevention Counseling.** The hallmark of the County’s Foreclosure Prevention program continues to be face to face counseling. All of the partner agencies are HUD certified housing

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<sup>1</sup> The Cuyahoga County Department of Development serves as the entitlement agency for 51 of the smaller suburban communities. As the entitlement agency for these communities, the County is responsible for administering federal Community Development Block Grant funds and HOME funds. The six larger cities located in Cuyahoga County - Cleveland, Cleveland Heights, East Cleveland, Euclid, Lakewood and Parma - are also considered entitlements, and are responsible for administering and distributing their direct allocation of these funds on behalf of their residents.



counseling agencies and most of them provide a range of other programs aimed at successful homeownership and/or budget counseling. Homeowners at risk of foreclosure can request services through a variety of methods, including United Way's 211 First Call for Help, the regional resource and referral network, which has been an integral part of the program since its inception.

Agencies are continuously adapting their intake and counseling processes to meet changing needs. For example, NHSGC recently added the option of a web portal as one option for accessing services. Generally, though, clients attend an intake session in person. Some agencies also use group intake sessions at which they see about 10-25 clients per session. Agencies use these sessions to explain the foreclosure process, give clients a checklist of paperwork needed, and identify the various funding sources that may be available.

In an effort to reach more homeowners at risk, prior to a foreclosure filing, the County began organizing regular outreach workshops in 2008. Agency counseling staff attend these workshops, conduct initial consultation and if needed conduct intake and schedule follow-up appointments. All agencies, including 211 First Call for Help and Legal Aid Society of Cleveland participate in the workshops.

By working together through the program, agencies can draw on one another's strengths and capabilities and can refer clients accordingly. For example, NHSGC administers two sources of rescue fund loans; the Ohio Home Rescue Fund is a statewide initiative that is part of the NeighborWorks Collaborative of Ohio. It also runs a statewide program through the Ohio Housing Trust Fund that makes loans available to households with incomes of 65% or less of AMI and a second fund through the Ohio Housing Finance Agency that is available to households with incomes between 65-115% of Area Median Income. The other agencies know that in addition to the County rescue funds (described below), they can refer clients to NHSGC, if necessary. These funds have more restrictive income guidelines than the County rescue funds but clients who qualify can receive funds from more than one source if needed to prevent foreclosure.

ESOP uses its strength in community organizing to negotiate agreements with lenders and loan servicers. In some cases, this agreement effectively halts foreclosure proceedings upon receipt by the lender or servicer of an ESOP "Hot Spot Card," a specially designed intake form that includes all of the information needed by the lenders and servicers and facilitates "workout" agreements.

**Funding Sources.** The County Commissioners have drawn on a number of sources of funds over the life of the Foreclosure Prevention Program including County General Funds, Community Development Block Grant Funds and grants and donations from banks, corporations and foundations and special funds (see Table 1). It is important to note that County General Funds comprised 24% of total program funds between 2006 and 2009, not including rescue funds (\$2.8 million), but were not available beyond June 30, 2009. The County Foreclosure Prevention Program office (CCFPP) was able to increase the funds raised foundations, banks and other sources to replace some of the lost County General Funds. In addition, the County was able to allocate a portion of its Community Development Block Grant dollars to support foreclosure prevention counseling for clients living in the ‘Urban County,’ e.g. those cities in the County that are not direct entitlement cities.

As Table 1 summarizes, a total of \$5.98 million, from various sources, has been committed, since 2006, to support the County’s Foreclosure Prevention activities. Through 2010, close to \$1.2 million has been raised from philanthropic and private sources to support foreclosure prevention. This money supplements the \$4.7 million from various sources of public fund, including DTAC.

**Table 1. Sources and Commitments of Funds**

Sources and Commitments of Funds for Foreclosure Prevention Program March 2006-December 2010						
Funds Source	Year 1 Commitments	Year 2 Commitments	Year 3 Commitments	Year 4 Commitments	Year 5 Commitments	Total Program Commitments
<b>Community</b>						
Neighborhood Progress, Inc.	\$37,500	\$30,000				\$67,500
National City	\$50,000	\$25,000				\$75,000
PNC Foundation					\$47,500	\$47,500
Key	\$50,000	\$50,000	\$25,000	\$25,000	\$25,000	\$175,000
Freddie Mac	\$50,000	\$50,000				\$100,000
Fannie Mae			\$25,000			\$25,000
Miller Foundation	\$50,000					\$50,000
Chase	\$7,500	\$0				\$7,500
Ohio Savings/AmTrust	\$25,000	\$25,000				\$50,000
US Bank	\$10,000	\$0				\$10,000
Dominion Foundation			\$50,000			\$50,000
First Energy			\$10,000			\$10,000
Nord Family Foundation			\$50,000			\$50,000
Safeguard Properties			\$52,500	\$73,550	\$50,000	\$176,050
David S. Stein Foundation				\$1,000		\$1,000
Dollar Bank Foundation				\$12,500	\$12,500	\$25,000
Third Federal Foundaion				\$50,000		\$50,000
First Merit Bank, NA				\$500		\$500
Ocwen Loan Servicing					\$5,000	\$5,000
Eaton Charitable Fund					\$10,000	\$10,000
Saint Lukes Foundation					\$50,000	\$50,000
The Cleveland Foundation				\$125,000	\$125,000	\$250,000
<b>Subtotal</b>	<b>\$280,000</b>	<b>\$180,000</b>	<b>\$212,500</b>	<b>\$287,550</b>	<b>\$325,000</b>	<b>\$1,285,050</b>
<b>County</b>						
General Fund	\$172,500	\$200,000	\$200,000			\$572,500
CDBG	\$100,000	\$100,000	\$0	\$250,000	\$250,000	\$700,000
TANF	\$400,000	\$0	\$0			\$400,000
DTAC	\$0	\$1,500,000	\$1,300,000		\$230,000	\$3,030,000
<b>Subtotal</b>	<b>\$672,500</b>	<b>\$1,800,000</b>	<b>\$1,500,000</b>	<b>\$250,000</b>	<b>\$480,000</b>	<b>\$4,702,500</b>
<b>Total</b>	<b>\$952,500</b>	<b>\$1,980,000</b>	<b>\$1,712,500</b>	<b>\$537,550</b>	<b>\$805,000</b>	<b>\$5,987,550</b>

\* NPI pledged an additional \$75,000 that was redirected to another County Initiative at the request of the County Treasurer

**Table 2. Allocation of Funds**

<b>Allocation of Funds, Foreclosure Prevention Program (March 2006-December 2010)</b>										
	<b>First Contract - PY 1</b>	<b>Supplemental TANF Awards</b>	<b>Subtotal, PY 1</b>	<b>Second Contract - PY 2</b>	<b>Supplemental DTAC Funds</b>	<b>Subtotal, PY 2</b>	<b>Third Contract - PY 3</b>	<b>Fourth Contract</b>	<b>Fifth Contract (see breakout)</b>	<b>Total</b>
<b>Counseling and Legal Services Agencies</b>										
Community Housing Solutions	\$50,000	\$75,000	\$125,000	\$30,000	\$12,500	\$42,500	\$87,000	\$91,000	\$99,322	\$612,322
ESOP	\$50,000	\$75,000	\$125,000	\$100,000	\$12,500	\$112,500	\$148,000	\$110,000	\$115,418	\$848,418
Cleveland Housing Network	\$12,500	\$50,000	\$62,500	\$60,000	\$12,500	\$72,500	\$75,000	\$85,000	\$87,838	\$517,838
Neighborhood Housing Services of Greater Cleveland	\$12,500	\$75,000	\$87,500	\$100,000	\$12,500	\$112,500	\$100,000	\$97,500	\$103,338	\$700,838
Home Repair and Resource Center									\$17,500	\$17,500
Housing Advocates								\$15,000	\$15,000	\$30,000
Cleveland Legal Aid Society	\$75,000	\$0	\$75,000	\$10,000	\$0	\$10,000	\$0	\$0		\$85,000
Cleveland Consumer Credit Counseling Services	\$12,500	\$0	\$12,500	\$0	\$0	\$0	\$0	\$0		\$12,500
Spanish American Committee	\$20,000	\$50,000	\$70,000	\$0	\$0	\$0	\$0	\$0		\$70,000
Consumer Protection Association	\$20,000	\$0	\$20,000	\$0	\$0	\$0	\$0	\$0		\$20,000
<b>Subtotal</b>	<b>\$252,500</b>	<b>\$325,000</b>	<b>\$597,500</b>	<b>\$300,000</b>	<b>\$50,000</b>	<b>\$350,000</b>	<b>\$410,000</b>	<b>\$398,500</b>	<b>\$438,416</b>	<b>\$2,194,416</b>
<b>Operating and Program Expenses</b>										
Foreclosure Prevention	\$267,000		\$267,000	\$292,400		\$292,400	\$250,000	\$160,000	\$230,000	\$1,199,400
Rescue Funds		\$75,000	\$75,000		\$635,486	\$635,486	\$138,342	\$178,262	\$77,000	\$1,104,090
Other Expenses	\$9,606		\$9,606						\$40,883	\$9,606
211 First Call for Help				\$15,000		\$15,000	\$15,000	\$10,000	\$30,000	\$70,000
<b>Subtotal</b>	<b>\$276,606</b>	<b>\$75,000</b>	<b>\$351,606</b>	<b>\$307,400</b>	<b>\$635,486</b>	<b>\$942,886</b>	<b>\$403,342</b>	<b>\$348,262</b>	<b>\$377,883</b>	<b>\$2,383,096</b>
<b>TOTAL</b>	<b>\$529,106</b>	<b>\$400,000</b>	<b>\$949,106</b>	<b>\$607,400</b>	<b>\$685,486</b>	<b>\$1,292,886</b>	<b>\$813,342</b>	<b>\$746,762</b>	<b>\$816,299</b>	<b>\$4,577,512</b>

As summarized in Table 2, in 2010 the County allocated \$816,299 for counseling related programs, including \$77,000 in rescue loans. It is important to note that funding for the rescue funds allocated in 2010 was carried forward from DTAC monies allocated in 2008. (See section below on rescue funds.)

It is important to note that when the County program started, very few other funding sources were available for foreclosure prevention counseling. However, beginning in late 2007, first the state of Ohio and then the federal government began to make funding resources available. At that time all of the participating counseling agencies received allocations of state and/or federal funds for counseling. Funds are administered through the Ohio Housing Finance Agency and through two national intermediaries, the Housing Partnership Network of which Cleveland Housing Network is a member and NeighborWorks of which Neighborhood Housing Services of Greater Cleveland is a member.

In addition to the counseling funds, NHSGC receives state and some federal grants for a statewide

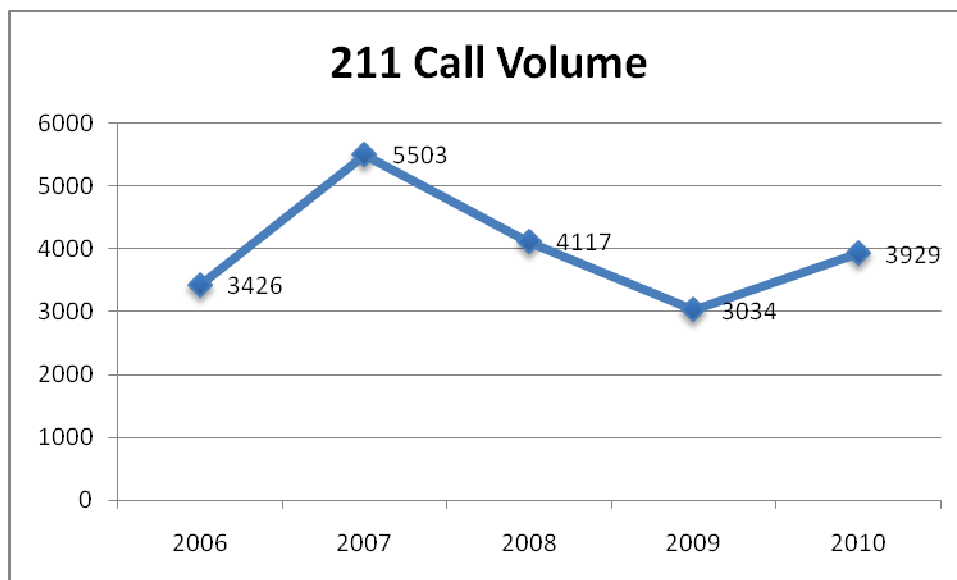
program of rescue loans. These loans have narrower eligibility requirements than the County rescue funds. But they can be made available to assist homeowners counseled by any of the counseling agencies and can be used in combination with the County rescue funds.

### **Program Components**

**United Way Services First Call for Help “211”.** Since the foreclosure prevention program began in March 2006, United Way’s 211 First Call for Help has served as the primary point of contact for County residents seeking foreclosure prevention assistance. From March 2006 through December 2010, “211” received 20,009 calls for foreclosure prevention assistance. The number of calls peaked in 2007 with an all-time monthly high of 1,481 calls in August 2007 and 5,503 calls for the year.

Between 2007 and 2009, the number of calls for foreclosure prevention assistance declined each year. But in 2010, 211 First Call for help received 3,929 calls, a 25% increase from 2009 when there were 3,034 calls.

**Chart 2. 211 Call Volume**



In addition to the “211” calls, agencies report that they are taking an increasing number of referrals from the growing number of state and federal toll free numbers (such as Ohio’s Save the Dream program, Hope for Homeowners, the National Foreclosure Mitigation Counseling Program and now, in 2010 the Ohio Hardest Hit Fund). Further, some clients call the agencies directly.

The 211 reports include data on the top five cities of callers seeking foreclosure prevention assistance. Callers from these communities comprise between 65-73% of all 211 callers for foreclosure assistance. As Table 3 shows, the majority of callers live in the City of Cleveland. However, as first noted in 2008, the percentage of callers from Cleveland dropped from 55% in 2006 to 45% in 2009 but then increased

in 2010 to 50%.

**Table 3. Top Cities of Callers to 211**

Top Cities of Callers to 211 Fist Call for Help 2006 - 2010												
	Callers 2006		Callers 2007		Callers 2008		Callers 2009		Callers 2010		Total Callers	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Cleveland	1884	55%	2917	53%	1976	48%	1364	45%	1,964	50%	10,105	51%
Euclid	171	5%	330	6%	247	6%	181	6%	233	6%	1,162	6%
Maple Heights	171	5%	275	5%	247	6%	181	6%	200	5%	1,074	5%
Cleveland Hts.	137	4%	220	4%	165	4%	121	4%			643	3%
East Cleveland	137	4%									137	1%
Garfield Heights			220	4%					127	3%	347	2%
Parma					165	4%	121	4%	169	4%	455	2%
Sub-total	2501	73%	3962	72%	2800	68%	1968	65%	2,693	69%	13923	70%
Other	925	27%	1541	28%	1317	32%	1064	35%	1,236	31%	6,083	30%
Total Callers	3426	100%	5503	100%	4117	100%	3032	100%	3,929	100%	20,007	100%

### **Foreclosure Prevention Counseling Clients**

Since the program began in March 2006 through December 31, 2010, the participating agencies have served a total of 11,065 clients. The number of clients peaked at 4,440 in 2010.

Many factors outside the control of the counseling agencies impact the number of clients seeking assistance both positively and negatively. Homeowners respond most immediately to the availability of funds that will help them with mortgage payments. This is evidenced by the 2007 announcement of the availability of County rescue funds

and the announcement of the availability of Hardest Hit Funds by the state in Fall 2010.

- The announcement in 2007 of the availability of rescue funds from the County.
- A national moratorium on foreclosures in January and February 2009 instituted by Fannie Mae and Freddie Mac.
- The Making Home Affordable Modification Program (HAMP) and a growing inventory of delinquent and foreclosed properties has fueled a reluctance on the part of banks and servicers to initiate and/or follow through on foreclosure filings
- The introduction in fall 2010 of the Hardest Hit Fund to assist unemployed homeowners facing foreclosure.
- Other loan servicer and investor related factors
- Reluctance on the part of banks and servicers to negotiate workouts<sup>1</sup>
- Growing involvement by the bar in representing homeowners, usually suburban homeowners, in foreclosure cases.

<sup>1</sup> For an excellent discussion of this, see Manuel Adelino, Kristopher Gerardi and Paul S. Willen, "Why Don't Lenders Renegotiate More Home Mortgages? Re-defaults, Self-Cures, and Securitization," Public Policy Discussion Paper, The Federal Reserve Bank of Boston, July 6, 2009.

**Table 4. Demographics of Clients Served, 2009-2010**

2009-2010 Demographics, All Clients						
RACE	2009		2010		Total	
	Number	Percent	Number	Percent	Number	Percent
White	514	29%	1357	33%	1871	32%
African American	977	54%	2437	59%	3414	58%
African American & White	23	1%	13	0%	36	1%
American Indian/Alaskan	15	1%	6	0%	21	0%
American Indian & White	0	0%	3	0%	3	0%
Asian	196	11%	31	1%	227	4%
Asian & White	0	0%	2	0%	2	0%
Other	71	4%	139	3%	210	4%
None Reported	5	0%	136	3%	141	2%
<b>Total</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>
ETHNICITY	2009		2010		Total	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	78	4%	513	12%	591	10%
Not Hispanic	1573	87%	1968	48%	3541	60%
None Reported	150	8%	1643	40%	1793	30%
<b>Total</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>
GENDER	2009		2010		Total	
	Number	Percent	Number	Percent	Number	Percent
Female	1116	62%	2422	59%	3538	60%
Male	685	38%	1693	41%	2378	40%
None Reported	0	0%	9	0%	9	0%
<b>Total</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>
HOUSEHOLD COMPOSITION	2009		2010		Total	
	Number	Percent	Number	Percent	Number	Percent
Single Adult	349	19%	451	11%	800	14%
Female-headed Single	296	16%	463	11%	759	13%
Male-headed Single	53	3%	70	2%	123	2%
Married with no dependents	152	8%	202	5%	354	6%
Married with dependents	288	16%	399	10%	687	12%
Two or more unrelated	42	2%	56	1%	98	2%
Other	37	2%	50	1%	87	1%
None Reported	584	32%	2433	59%	3017	51%
<b>Total</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>
AGE	2009		2010		Total	
	Number	Percent	Number	Percent	Number	Percent
62 and over	201	11%	495	12%	696	12%
Under 62	1318	73%	2764	67%	4082	69%
None Reported	282	16%	865	21%	1147	19%
<b>Total</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>
INCOME	2009		2010		Total	
	Number	Percent	Number	Percent	Number	Percent
Less than 50% of AMI	812	45%	1924	47%	2736	46%
50-79% of AMI	479	27%	1168	28%	1647	28%
80-100% of AMI	201	11%	570	14%	771	13%
Greater than 100% of AMI	205	11%	454	11%	2255	38%
None Reported	104	6%	8	0%	112	2%
<b>Total</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>
CREDIT RATING	2009		2010		Total	
	Number	Percent	Number	Percent	Number	Percent
700 and up (excellent)	54	3%	143	3%	197	3%
680-699 (good)	25	1%	58	1%	83	1%
620-679 (fair)	124	7%	266	6%	390	7%
580-619 (poor)	134	7%	345	8%	479	8%
500-580 (bad)	530	29%	1122	27%	1652	28%
499 and below (very bad)	445	25%	865	21%	1310	22%
None Reported	489	27%	1325	32%	1814	31%
<b>Total</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>

### Highlights of Demographic Profile for 2010:

- The majority of clients seen by the agencies continue to be female, although the percentage has declined slightly from 67% in the first program year (March 2006 to February 2007) to 59% in 2010.
- The percentage of clients that are African American continues to decline from 81% in PY1 to 59% in 2009. The percent Hispanic increased from 4% in 2009 to 12% in 2010.
- The percentage of clients age 62 or older is small but increasing slightly from 7% in the first year of the program to 11% in 2009 and then to 12% in 2010.
- The percentage of clients with incomes below 50% of Area Median increased slightly from 45% in 2009 to 47% in 2010

For a breakdown of client demographics by agency, see Appendix A.

**Table 5. Geographic Distribution of Clients**

<b>Geographic Distribution of Clients in Cuyahoga County 2009- 2010</b>						
	<b>2009</b>		<b>2010</b>		<b>Total</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Cleveland	912	52%	1904	46%	2816	48%
First Suburbs	681	39%	1597	39%	2278	39%
Rest of County	165	9%	611	15%	776	13%
None Reported			12	0%	12	0%
<b>Total</b>	<b>1758</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5882</b>	<b>100%</b>

Looking across all agencies, Table 5 illustrates that the percentage of clients from Cleveland continues to decline. This percentage has declined in each program year, from 63% in the 2006, reflecting the increasing numbers of foreclosure filings in the rest of the County. But city residents remain the predominant users of agency services. The proportion of clients that live in one of the 16 communities that comprise the First Suburbs<sup>1</sup> remained constant at 39%. That percentage increased from 33% to 43% from the first year, to the third year, and then decreased in 2009. Clients from the remaining suburbs of Cuyahoga County have increased to 13% in 2010 from 4% in the first program year.

<sup>1</sup> First suburbs include: Bedford, Bedford Hts., Brook Park, Cleveland Hts., Cuyahoga Hts., East Cleveland, Euclid, Fairview Park, Garfield Hts., Lakewood, Parma, Maple Hts., Parma, Shaker Hts., University Hts., Warrensville Hts.

**Table 6. Foreclosure Filings and Agency Clients, 2010**

<b>Comparative Geographic Distribution of Residential Foreclosure Filings and Agency Clients, 2010</b>				
	<b>Foreclosure Filings*</b>		<b>Agency Clients</b>	
<b>Area</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Cleveland	6161	46%	1904	46%
Euclid	711	5%	247	6%
Parma	577	4%	166	4%
Cleveland Heights	537	4%	158	4%
Maple Heights	515	4%	248	6%
Garfield Heights	482	4%	224	5%
Lakewood	421	3%	84	2%
South Euclid	349	3%	124	3%
East Cleveland	293	2%	74	2%
Shaker Heights	255	2%	66	2%
North Olmsted	217	2%	52	1%
Rest of County	2991	22%	765	19%
None Reported			12	0%
<b>Total</b>	<b>13509</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>

\* does not include residential vacant land

Table 6 illustrates that the geographic distribution of agency clients closely tracks the geographic distribution of residential foreclosure filings. While not a perfect correlation, it is an indicator that the outreach workshops and the off-site counseling in suburban locations such as Lakewood, S. Euclid, and Parma on a periodic basis is an effective way of reaching suburban residents facing foreclosure. Another effective strategy for reaching the suburban population is special outreach in partnership with suburban mayors.

### **Counseling Client Trends**

Face to face interviews were conducted with staff of each of the four counseling agencies as well as with 211 First Call for Help two times during each program year.

Based on information gathered from these interviews, the counseling agencies and 211 reported a number of trends:

- The economy continues to adversely impact homeowners. Through all of 2010, economic conditions continued driving many of the problems homeowners are presenting with at the counseling agencies. Job loss or loss of income remains the number-one reason people seek assistance. For three solid years this has been the most persistent and consistent challenge agencies are reporting.



- Agencies continue to report that “almost everyone” they see has negative equity in their homes. A number of the homeowners seeking assistance from the agencies refinanced their homes a few years ago at the peak of the market. This, together with falling home prices across the board and other complexities of the economic recession, has contributed to this problem. This is unlikely to change in 2011.
- Housing troubles continue to spread in the suburbs. For yet another year, the number of clients from suburban Cuyahoga County continues to increase. All agencies reported seeing more and more clients from the suburbs, including those in the outer ring of the County.
- A more difficult homeowner to help. Clients are increasingly more difficult to assist because of their financial circumstances. Agencies are unable to keep individuals in their homes in cases where there is no job or income to support the loan. This has remained the case since 2008 and agencies report that they expect this trend to continue to worsen.
- It takes a long time to get a resolution for homeowners. Agencies report that it takes a great deal more time to attain a resolution for homeowners than in the past. This is now also true for homeowners entering the newly created Restoring Stability program through the Hardest Hit Fund initiative.
- Temporary modifications through HAMP remain higher than homeowners who have successfully received a permanent modification through the program.
- If homeowners meet the initial qualifications, such as having a Fannie Mae or Freddie Mac loan, the Making Home Affordable Modification Program (HAMP) is generally the first avenue agencies pursue in seeking a resolution for homeowners. Agencies continue to obtain modifications that are better for the homeowner outside of HAMP.
- Short-Payoffs have increased. While still rare, agencies report increasingly that they are looking into securing a short-payoff for homeowners and that lenders seem to be more willing to consider this as an option.
- Housing counselors are now regularly available to homeowners at the Cuyahoga County Court of Common Pleas Foreclosure Mediation Program. All of the counseling agencies send housing counselors to the Justice Center’s 10<sup>th</sup> Floor Foreclosure Mediation office’s pre-mediation hearing days. They are there to assist any homeowner who wishes to meet with a housing counseling agency about their problem. The agencies provide similar intake and assessment activities that they are able to provide to homeowners at their regular offices.

While the foreclosure crisis has faded from the non-stop coverage and front page headlines, it remains at present, as strong and as much of a problem as it has ever been.

According to RealtyTrac, by the end of 2010, the U.S. real estate default rate will hit a record high, with approximately 3 million households receiving foreclosure notices. This tops last year’s record high of 2.8 million households. It is predicted that this number will be even higher in 2011. Even with approximately \$300 billion tied up in adjustable rate loans that will reset rates over the next 12 to 15 months, it is the stubbornly high unemployment rate which is impacting foreclosures the most.

In 2010, the unemployment rate fluctuated little from 9.7% it started at in January. By June 2010 it had

dipped only slightly to 9.5%, but was back up to 9.8% in November<sup>1</sup>. This will mark nearly 18 months with an unemployment rate hovering above 9%. Not only is this unacceptably high, but it is also the longest period of time since WWII that it has remained at those levels.

For Ohio, the unemployment picture has been worse. Nationally, Ohio ranks 9<sup>th</sup> in unemployment. According to the Ohio Department of Job and Family Services, in October of 2010, Ohio's unemployment rate fell below 10% for the first time since March 2009. Uncertainty and upheaval remain in just about every industry and forecasters don't expect the jobs picture to brighten until the end of 2011.

On March 29, 2010 the U.S. Department of Treasury announced the second "Housing Finance Agency Innovation Fund for the Hardest-Hit Housing Markets" (HFA Hardest-Hit Fund) as a means to provide meaningful financial support for families in the nation's hardest-hit housing markets. The Ohio Housing Finance Agency received \$172 million dollars in new federal funding designed to help homeowners through this program. Ohio's plan is focused on assisting unemployed and underemployed homeowners who are at risk of mortgage loan default or foreclosure.

Ohio's hardest hit fund program is called *Restoring Stability: A Save the Dream Ohio Initiative*. According to the Ohio Housing Finance Agency, which administers the program, it aims to assist 46,000 homeowners who have experienced a financial hardship and are currently at-risk of mortgage loan default or foreclosure. The program may be able to help homeowners who have previously not qualified for other existing loan modification and foreclosure prevention programs because of loss of income.

Restoring Stability includes four different programs: Rescue Payment Assistance that provides a payment to a participating homeowner's mortgage servicer to help bring the homeowner current on his or her delinquent mortgage; Partial Mortgage Payment Assistance that provides partial mortgage payments while unemployed homeowners search for a job or participate in job training; Modification Assistance with Principal Reduction that provides a payment incentive to mortgage servicers to reduce a participating homeowner's mortgage principal to the level necessary to achieve a loan modification and affordable monthly mortgage payments; and Transitional Assistance that provides homeowners who cannot sustain homeownership with an alternative to foreclosure by offering an incentive to mortgage servicers to complete short sales and deed-in-lieu agreements. Restoring Stability began accepting applications on September 27, 2010. All of the Cuyahoga County Foreclosure Prevention partner agencies are part of the 35 participating U.S. Housing and Urban Development (HUD) approved Housing Counseling Agencies in the program and are able to receive referrals from and complete applications to Restoring Stability. The announcement generated a wave of inquiries and applications for the Cuyahoga County participating agencies

The start-up of the program has been problematic in a number of ways. Between September 27, 2010 and December 2010, an estimated 19,000 people statewide had applied. Of those, only 277 had received word that they were eligible and about 20 of those had received checks. Cuyahoga County's foreclosure prevention counseling agencies estimate that 50% of the people they see who want to apply for the program are not eligible. Homeowner expectations are unrealistic, and they hold out hope that they will

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<sup>1</sup> Ohio Department of Job and Family Services, Ohio Labor Market Information, <http://ohiolmi.com>  
Responding to Foreclosure in Cuyahoga County  
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receive the Partial Mortgage Payment Assistance through the program and the long waits for approvals and denials makes them reluctant to take other more realistic workouts.

The delay in processing applications results also in a delay in payments to the counseling agencies, which causes problems as well. As the program gains experience, it is hoped that both of these problems will be resolved.

Outside of new programs and additional federal dollars that were allocated in 2010, much has come to light over the last year as to how banks and other lenders have been operating since the beginning of the 2000's, which many argue has dramatically exacerbated the foreclosure crisis even beyond their well-known acts of predatory lending.

The recent robo-signing debacle revealed sloppy business practices by banks and mortgage lenders. Critics charged that these practices – which resulted in improperly signed foreclosure documents - violated state laws and regulations and in November of 2010 all 50 attorneys general launched a joint inquiry to examine charges that banks used deceptive practices to accelerate foreclosures. As a result, many lenders froze the foreclosure process on their loans. During a congressional hearing on Capital Hill in November, both Bank of America and JPMorgan Chase admitted to using this automated system and said it was actually an industry-wide practice. Though the fall-out from this robo-signing scandal has yet to fully play out, the formal foreclosure moratorium was short lived, and by December 2010 banks were beginning to restart the foreclosure process in many states.

Other practices that complicate and confuse foreclosures have also come to light. Under the rules of the government loan modification program HAMP, banks are not supposed to foreclose on homes that are still in the loan modification process. Yet this has been happening in spite of those regulations. Banks have pursued foreclosures on properties while simultaneously working with the owners on loan modifications. This “dual track” system forces homeowners to deal with one unit of the servicer – to explore loan modification, while at the same time they will be dealing with a foreclosure action that is being handled by an entirely separate and different unit of the same servicer.

The complexities of dealing with servicers, mishandling of documents by banks, repercussions of a difficult economy, confusion over modification program requirements and navigating the time-consuming start up of new assistance programs all mean that housing counseling agencies have an incredibly difficult job in trying to assist a homeowner who walks through their doors.

The apparent decline in the number of foreclosure filings is disguising the magnitude of the problem. Many predict that the housing market will continue to suffer and remains a threat to the economy. A major contributing factor to this is the millions of homes sitting in the shadow inventory. Shadow inventory is defined as distressed and foreclosed homes that have not yet gone on the market which includes homes of borrowers who are 90-days or more delinquent on their mortgage payments, those undergoing the foreclosure process and real estate owned by lenders but not yet offered for sale.

There are already thousands and thousands of repossessed homes on the market. These homes have caused housing prices to drop drastically in almost every major U.S. city, now add to that the shadow

inventory not yet out there - estimated by market research firm CoreLogic to be 1.8 million more homes. As this inventory begins to surface, the worry is that housing prices will continue to fall, with falling prices leading to even lower prices, pushing even more homeowners underwater, causing more defaults, creating more distress sales and foreclosures, and even lower prices. There are estimates that put one quarter of all U.S. mortgages underwater at present.

In addition to banks not filing foreclosures, there appears to be a continued inability of lenders to process delinquencies in a timely manner. Unfiled foreclosures keep both people and properties in limbo and compound the problem by forcing delinquencies to accumulate longer and leading to higher fines making it even more difficult to bring the mortgage current.

Rescue funds are becoming less important as a tool for negotiating with the lenders for a workout given that lenders are doing fewer workouts and many workouts are being negotiated through HAMP. Furthermore, HAMP prohibits the use of up-front payments to cure arrearages and penalties, a common use of rescue funds pre-HAMP, but does allow for required 3<sup>rd</sup> party payments such as back taxes. Lenders are also accepting forbearance agreements more often.

In rare cases, lenders have agreed to accept the rescue fund dollars as payment in full for a property (between \$3,000 and \$7,000). These are known as short-payoffs. Though these remain rare cases, more of them are being negotiated. Another limitation of the rescue funds is that they are one-time payments intended to cure defaults and pay penalties. Unemployed homeowners need ongoing payment assistance to make up for what is hopefully a temporary loss of income.

Counseling agencies view the Common Pleas Court's foreclosure mediation program as another tool they can use to assist clients. Agencies recommend that all clients apply for the mediation program even as they work through counseling. Agencies are hopeful that they will be able to get the client a resolution before their case comes up for mediation with the court, but if they are unable to achieve this, the mediation process is yet another avenue the client has to work with their lender.

A new program, the Foreclosure Mediation Support Program was instituted in 2009 described below.

Agency and 211 staff continue to caution that the County could experience another wave of foreclosures even as the economy appears to be recovering. Homeowners in the County with adjustable rate mortgages have seen their rates adjust down with the economic recession. However, when the economy begins to recover and interest rates rise, these ARMs can reset again, but this time to a much higher interest rate. This in turn will again cause a large wave of foreclosures as mortgage payments increase but with a very low interest rate and uncertainty about when it could adjust, homeowners have little incentive to have their current loan changed to a fixed rate loan that will likely have a higher interest rate than their current mortgage.

### **Program and Client Outcomes**

Since the Cuyahoga County Foreclosure Prevention Program began in March 2006, the program has

served a total of 11,065 clients.

Agencies assist clients in a number of ways, striving to offer clients the options that best meet their current situation. Agencies advise all clients of their options which include “deed in lieu”, staying in their home as long as possible until they are forced to leave in an effort to save money for rent in the future and, in rare cases, selling their home through a short sale or other option. In cases where clients cannot keep their homes, agencies help them relocate, trying to minimize damage to their credit profiles.

In March 2008, all four of the agencies agreed to use a format similar to the National Foreclosure Mitigation Counseling Program (NFMCC) and to report monthly outcome data to the County. This new method of reporting permits the evaluators to look at a full range of outcome data. (Table 7).

**Table 7. Client Outcomes, All Agencies, 2009-2010**

2009-2010 Counseling Outcome by Agency						
	2009		2010		Total	
SUCCESSFUL OUTCOME	Number	Percent	Number	Percent	Number	Percent
<b>MORTGAGE MODIFIED</b>						
Brought Mortgage Current	129	8%	177	8%	306	8%
Mortgage Refinanced	9	1%	6	0%	15	0%
Mortgage Modified	424	26%	478	22%	902	24%
Referred Homeowner to Servicer with Action Plan and No Further Counseling	7	0%	56	3%	63	2%
Initiated Forbearance	159	10%	212	10%	371	10%
Received 2nd Mortgage	1	0%	1	0%	2	0%
Obtained Partial Claim Loan from FHA Lender	3	0%	2	0%	5	0%
<b>Sub-Total</b>	<b>732</b>	<b>44%</b>	<b>932</b>	<b>44%</b>	<b>1664</b>	<b>44%</b>
<b>OTHER SUCCESSFUL OUTCOME</b>						
Executed deed-in-lieu	7	0%	11	1%	18	0%
Sold Property but not a short sale	27	2%	3	0%	30	1%
Pre-Foreclosure Sale or Short Sale	25	2%	51	2%	76	2%
<b>Sub-Total</b>	<b>59</b>	<b>4%</b>	<b>65</b>	<b>3%</b>	<b>124</b>	<b>3%</b>
<b>TOTAL, SUCCESSFUL OUTCOME</b>	<b>791</b>	<b>48%</b>	<b>997</b>	<b>47%</b>	<b>1788</b>	<b>47%</b>
<b>FORECLOSURE</b>						
Mortgage Foreclosed	38	2%	71	3%	109	3%
<b>ONGOING</b>						
Counseled & Referred to Social Service or Emergency	56	3%	62	3%	118	3%
Foreclosure put on hold or in moratorium; final outcome unknown	44	3%	22	1%	66	2%
Counseled & Referred to Legal Service	77	5%	128	6%	205	5%
<b>Total</b>	<b>177</b>	<b>11%</b>	<b>212</b>	<b>10%</b>	<b>389</b>	<b>10%</b>
<b>OTHER</b>						
Other	110	7%	16	1%	126	3%
Bankruptcy	39	2%	34	2%	73	2%
Counseled on Debt Management or sent to Debt Management Agency	22	1%	19	1%	41	1%
Withdrew/Suspended	477	29%	777	37%	1254	33%
<b>Total</b>	<b>648</b>	<b>39%</b>	<b>846</b>	<b>40%</b>	<b>1494</b>	<b>40%</b>
<b>TOTAL</b>	<b>1654</b>	<b>92%</b>	<b>2126</b>	<b>52%</b>	<b>3780</b>	<b>64%</b>
Currently Receiving Counseling	147	8%	1998	48%	2145	36%
<b>Total Clients Seen</b>	<b>1801</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>	<b>5925</b>	<b>100%</b>

Even in the face of trends listed in this report, the agencies have consistently assisted 44% of counseling clients in modifying their mortgages and staying in their homes, through various methods detailed in Table 7. (See Appendix B.) This percentage is down from 53% in 2008 program year. All of the

outcomes remained consistent over the two-year period for which this data has been collected. About 26% of the clients received modifications and about 10% received forbearance agreements. Modifications enable homeowners to stay in their homes. They hold the most promise in terms of long-term sustainability of homeownership and is consistent with the previous two years in which agencies were able to assist 52% of the clients who came in for counseling to avert foreclosure through various methods, including loan workouts (35%). An additional 4% of clients sold their homes through either a pre-foreclosure, short, or other sale. While these homeowners were not able to stay in their homes, the outcome was mutually determined to be in their best interest and is a better outcome for communities than foreclosure. Agencies are able to assist these homeowners with relocation.

These outcomes are impressive given the increasingly difficult financial situation of homeowners facing foreclosure and the ever-changing programs, as discussed in other sections of the report. In 2010 the percentage of clients who withdrew or were suspended from counseling increased from 29% in 2009 to 37% in 2010. Clients who are in the counseling pipeline but do not respond to a series of follow-up calls from agencies (usually three) are categorized as suspended. If they return to the agencies for assistance, their case is re-activated. If upon their return, their original presenting problems have changed, a new case number is opened.

A national study by the Urban Institute of the National Foreclosure Mitigation Counseling Program, one of the programs used by the counseling agencies, reported that NFMC clients received loan modifications that resulted in lower monthly payments, as compared to non-NFMC clients. The study estimates that NFMC clients, without counseling, would have received a loan modification with a monthly payment \$267 higher than the modification they actually received. They conclude that counseling has a positive effect on the ability of clients to support the modification with a 45 percent increase in the odds that a curing modification would be sustained.

To put the numbers into a different context, it is possible to look at the number of clients seen by the agencies as a percent of residential foreclosure filings in the County in a given year. In 2010, the five counseling agencies assisted about 24% of homeowners in foreclosure. This percentage is higher than the 13% of homeowners in foreclosure that were seen by the agencies in 2009. However, it is important to note that the Cuyahoga County Foreclosure Prevention Program is available to any homeowner in the County at risk of foreclosure. It is possible that many of the clients who receive counseling do not actually have a foreclosure filing pending. This is more true this year than in past years as more and more lenders and banks are holding off on filing foreclosures.

**Table 8. Foreclosure Counseling Clients, Loan Product Type, All Agencies**

Loan Product Type				
	2009		2010	
	Total	Percent	Total	Percent
Fixed under 8%	449	43.80%	630	63.38%
Fixed 8% or greater	198	19.32%	191	19.22%
ARM currently 8% or over	209	20.39%	46	4.63%
ARM currently under 8%	69	6.73%	71	7.14%
Other	17	1.72%	56	5.63%
<b>Total</b>	<b>987</b>		<b>994</b>	100.00%

In 2008, for the first time, we were able to compile information about the type of loan product of clients as well as the reason they are facing default. However, this information is only reported for a portion of homeowners seen by the agencies. In 2010, of the 994 homeowners for which information was reported, 63.38% had fixed rate loans with interest rates under 8%. These would traditionally be considered “good loans.” This percentage increased from 43.8% in 2009. Adjustable Rate Mortgages (ARMs) over 8% could pose problems in the future for homeowners once interest rates increase and they reset at higher rates. In 2009, 20.39% of homeowners for whom this information is reported had these potentially problematic loans. In 2010, the percentage declined to 4.63%. It is difficult to draw any conclusions from this trend because in 2009, it was reported for 60% of clients while in 2010, it was reported for 47% of clients. It may be that at this time homeowners with ARMs are not motivated to modify the conditions of their loans while interest rates remain at very low levels.

Table 8 confirms anecdotal information about trends from interviews with agency counselors and shows that the majority of clients are in default due to reduction in income or loss of income. If we add in medical issues and increase in expenses (both of which have the effect of reducing income) this percentage rises to over 80% in 2010. These are the most difficult cases in terms of negotiating a workout with lenders or servicers as described above. In 2009, only 5% of clients reported an increase in loan payment amount as the reason for default and this percentage was even lower in 2010 at 2%. Once again, it is hard to draw any conclusions from this trend because data is reported for only a subset of all clients.



**Table 9. Foreclosure Counseling Clients, Reason for Loan Default, All Agencies**

Reason for Default				
	2009		2010	
	Total	Percent	Total	Percent
Reduction in income	316	34%	307	28%
Loss of income	142	15%	427	39%
Medical Issues	101	11%	71	7%
Increase in Expenses	78	8%	182	17%
Poor budget management	63	7%	8	1%
Increase in loan payment	45	5%	19	2%
Other	142	15%	18	2%
Divorce/separation	15	2%	28	3%
Death of a family member	21	2%	23	2%
Business venture failure	19	2%	6	1%
<b>Total</b>	<b>942</b>	<b>100%</b>	<b>1089</b>	<b>100%</b>

Note: For loan product type, default reason code and credit score at intake (shown in the above three tables), a large percentage of clients had no data reported. Therefore, percentages were calculated using the total reported data, not the total number of clients.

### **Rescue Funds**

The County's decision to make DTAC funds available for "rescue loans" in 2007 was a direct response to a need expressed by counseling agencies. Advocates said that there were cases where additional money was needed to bring a homeowner current on his or her mortgage payments so as to prevent foreclosure. These "rescue funds" gave the counseling agencies a much-needed resource to assist their clients in saving their homes.

The rescue loan funds continue to provide one-time assistance to homeowners who have difficulty paying their mortgages because of unsuitable loan terms such as high variable interest rates and/or because of unexpected life events such as job loss, illness, or divorce. The "loans" are secured by a no interest, soft second mortgage on the property. The loans do not have to be repaid until the borrower either sells or refinances the home, where there is equity available. To qualify, recipients must be Cuyahoga County residents, the property must be their primary residence, the payment must be sufficient to keep them in their home, they must be able to continue to pay the agreed mortgage amount, the interest rate must be fixed and taxes and insurance must be included in the new payment. There is no income limit for eligibility.

Between September 1, 2007 and December 31, 2010 the DTAC rescue funds have helped 456 households avoid foreclosure and make their mortgage payments more affordable. The total amount of rescue fund dollars expended was \$1,216,954 (see Table 10). The average loan amount was \$2,668.75.

**Table 10. Rescue Fund Summary**

Cuyahoga County Rescue Fund Loans														
2007			2008			2009			2010			Program Total		
Number	Amount	Average Loan Amount	Number	Amount	Average Loan Amount	Number	Amount	Average Loan Amount	Number	Amount	Average Loan Amount	Number	Amount	Average Loan Amount
100	\$262,906.43	\$2,629.00	255	\$684,293.42	\$2,683.50	63	\$166,767.69	\$2,647.10	38	\$102,986.29	\$2,709.68	456	\$1,216,953.83	\$2,668.75
*Note: The DTAC Rescue Fund Loan Program began in Sept 2007														

**Table 11. Rescue Fund Amounts**

Cuyahoga County Rescue Fund Loans (Sept 2007 - Dec 2010)		
Program Total		
Amount	Number	Percent
Less than \$1000	7	2%
\$1000-1999	65	14%
\$2000-2999	97	21%
\$3,000	287	63%
<b>Total</b>	<b>456</b>	<b>100%</b>

Agencies were asked their opinions about the effectiveness of the rescue funds. Agencies continue to report that the availability of rescue funds is a reliable source of assistance they can turn to in helping homeowners and is one of the tools they will continue to explore even as they find that they are turning to it less and less.

In the past, the availability of rescue funds enabled the agencies to negotiate more favorable “workouts” for homeowners. This was particularly true back in 2007 when there were fewer assistance programs for agencies to turn to in assisting homeowners who needed one-time assistance to rescue them from foreclosure.

Agencies now report that rescue funds have become less important as both a negotiation tool with lenders and as a source of assistance for homeowners, who, because of loss of employment, many need much more significant assistance. They also explain that lenders no longer require up front sums of money for use to bring mortgages current. Instead, many lenders prefer to work within the guidelines of assistance programs such as HAMP, which prohibit such up-front payments. In a handful of instances rescue funds have to be used to complete short-payoffs.

However, toward the end of 2010 there was an up-tick in rescue fund applications. Part of the renewed interest was because of problems and delays with the start up of the Hardest Hit Fund program. The

county rescue loans could buy time for the Hardest Hit Fund applications to come through, and in some instances, homeowners needed more than the \$15,000 maximum provided by the Hardest Hit Fund. If the rate of usage from December of 2010 maintains through 2011, it will be one of the most productive years for the program since it began, and may necessitate finding more DTAC funds to replenish to loan pool.

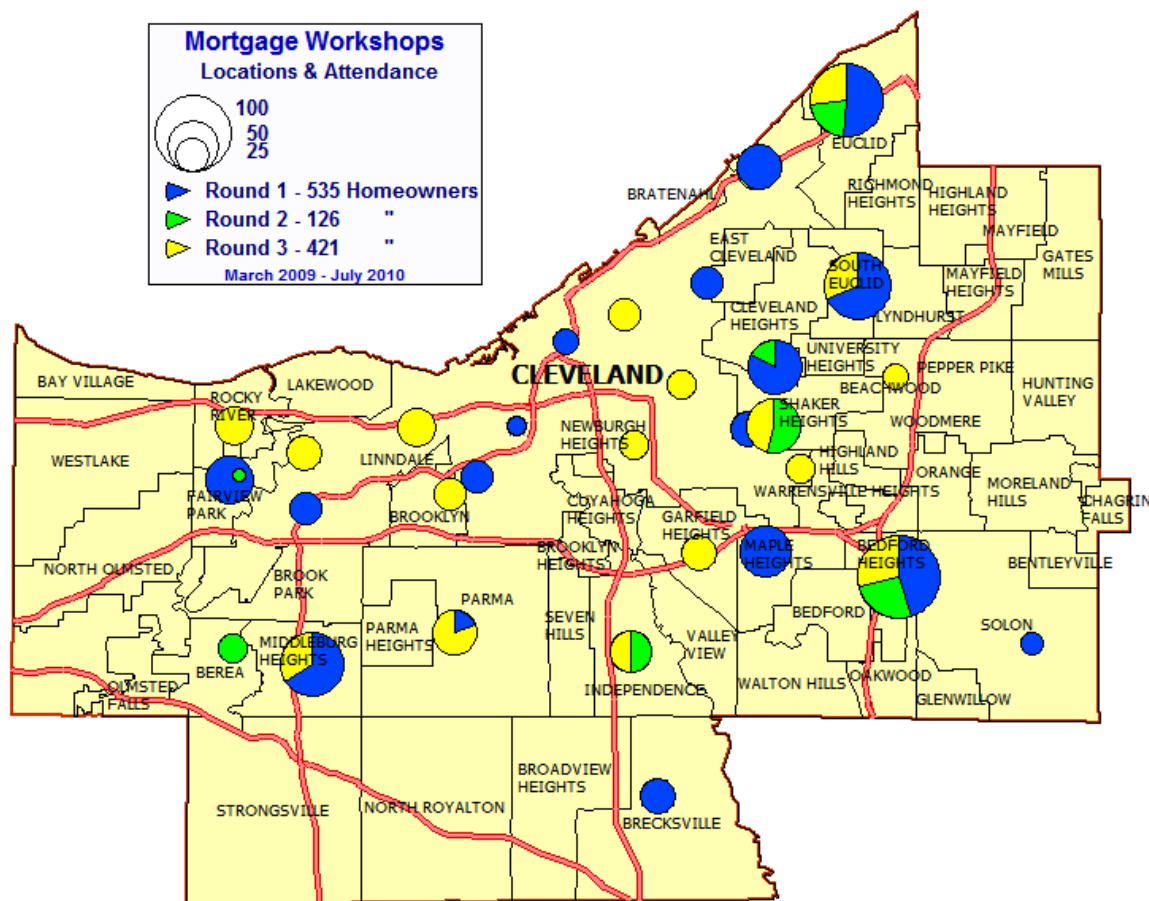
**Table 12. Cuyahoga County Foreclosure Prevention Mortgage Workshops**

Workshop Attendees	Date	Location
31	1/27/10	Rockey River Com. Center
30	2/2/10	Parma Memeorial Hall
17	2/10/10	Harvard Com. Center
28	2/23/10	St Ignatious Church
17	3/2/10	Alliance of Poles
25	3/10/10	Garfield Hts. Civic Center
24	3/23/10	Middleburg Hts Civic Center
17	4/13/10	Independence Civic Center
25	4/21/10	Shaker Heights Community Center
18	4/27/10	Morning Star Baptist Church
25	5/4/10	South Euclid Community Center
23	5/12/10	Brooklyn Senior Center
24	5/18/10	Linus Hall
25	6/8/10	Euclid Public Library
21	6/16/10	Cleveland Food Bank
23	6/29/10	Fatima Community Center
33	7/13/10	Jimmy Dimora Recreation Center
15	7/21/10	Beachwood Community Center
<b>421</b>	<b>19.44</b>	<b>Average</b>

In 2010, 421 homeowners attended 18 workshops across Cuyahoga County. Between March 2009 and July 2010, a total of 1,082 homeowners attended 42 workshops (see Map 2). This includes those who attended a community workshop as well as those who called 211 and the County information line for assistance as a result of receiving the letters announcing the workshops. From January through July 2010, the outreach workshops targeted homeowners with approaching ARM resets, those with pending foreclosures, a subprime mortgage or delinquent taxes.

Map 2.

The



Cuyahoga County Foreclosure Prevention Program staff made a decision to postpone the continued scheduling of community workshops through the end of the year as both program staff and counseling agencies focused their attentions on ramping up efforts at the Cuyahoga County Court of Common Pleas Foreclosure Mediation program and working with the Ohio Housing Finance Agency to get the new Restoring Stability program up and running.

Counselors commented that the foreclosure prevention workshops remain an important component of the overall prevention program. Agencies continue to receive new clients from these workshops, the letters alert homeowners who may not realize they have an adjustable rate mortgage that is scheduled to reset or who may not feel they are in trouble and homeowners receive information from a trusted source.

The fact that the letters were signed by the County Treasurer and the Prosecutor is very effective, especially given the prevalence of foreclosure rescue scams.

### **Mediation Program**

As part of the *Save the Dream* program, in 2008, the Ohio Supreme Court exhorted every County to adopt a process for foreclosure mediation. The Cuyahoga County Court of Common Pleas formed a Mediation Sub-Committee that presented its proposed Mediation program to the bar and the public in March 2008. The public comment period ended on April 7, 2008 and foreclosure mediation became operational in June 2008.

What distinguishes the foreclosure mediation program in Cleveland is that it requires that a personal representative from the plaintiff company (usually a mortgage servicer) attend every full mediation session. An attorney may not substitute for the personal representative and “telephonic” appearances are not permitted except in extraordinary situations or in follow-ups to the full mediation conferences.

A summary of the Common Pleas Court’s Foreclosure Mediation Program appears below.

1. Once a complaint for foreclosure has been filed against a party, the Court will send out a summons including a “Request for Mediation” form. The court initially felt mediation should be available for all foreclosures, even those filed against owners of investment properties. However, that option is being reconsidered for a variety of reasons and only special investor-owned cases are being accepted at the present time.
2. When the defendant/homeowner receives the summons, included is a letter advising them to stay in their home and explaining how they can take advantage of the court’s mediation program. If the homeowner wants to mediate the Request for Mediation form is filled out and sent directly to the Foreclosure Mediation Department. [Note: If they deem mediation to be appropriate, Magistrates who handle the “regular” foreclosure docket may also order mediation at any point in the foreclosure process prior to confirmation of a sheriff sale,.]
3. If the Mediation Department determines the case is appropriate, the court places an order on the docket imposing a stay on the case and requiring the case to be mediated. A case may be “unsuitable” for mediation primarily because the homeowner has insufficient income to support a reasonable monthly mortgage payment. Tax foreclosure cases are not appropriate for mediation when the action is brought by the county. However, if the foreclosure is based upon a tax lien that has been sold to an investor/plaintiff, it can be mediated.
4. All mediations require participation by both parties. Failure to appear at any stage of the mediation process will subject the absent party to appropriate sanctions. If the Plaintiff (lender or servicer) and

the Plaintiff's attorney fail to appear, the case can be dismissed. If the Defendant (homeowner) fails to appear, the case may be sent back to the Court's foreclosure docket, depending upon whether they can demonstrate good cause for not attending a scheduled session.

5. Beginning in August 2009, the Court required that at all full mediation sessions a representative for the Plaintiff had to attend the session, in person. Their attorney and/or a telephonic appearance is not allowed. Further, the person who attends on behalf of the plaintiff (ordinarily an employee of the mortgage servicer) must have sufficient authority to agree to the terms of a settlement. In extraordinary circumstances, the investor could be required to be present at the full mediation session.

Members of the bar volunteer to assist homeowners in the mediation process pro-bono and are trained in the process as well as the defenses that might be available to a homeowner faced with foreclosure, a concern raised by Legal Aid attorneys.

In the first year of the program, mediators reported that the majority of defendants believed they were the victims of predatory lending. Mediators report that currently predatory loans are less common.

Mediators indicated that in the first year of the program homeowners were overwhelmingly from the City of Cleveland. While they report still seeing many homeowners from the City of Cleveland, mediators now report that there is a more representative mix of homeowners from around the County.

In 2009 the Court committed to expanding the Foreclosure Mediation program from its single full-time mediator-director and two half-time mediators to its current staffing level of four full time and two part time mediators and three full time administrative support staff.

In April 2010, the Cuyahoga County Foreclosure Prevention Program and the Cuyahoga County Court of Common Pleas Foreclosure Mediation Program jointly initiated the Foreclosure Mediation Support Program. This project provides the opportunity for homeowners who are just beginning in the mediation process to consult with HUD approved counselors, on site at the Justice Center. As part of this arrangement, housing counselors are located outside of the mediation offices on the 10<sup>th</sup> floor of the Justice Center and are available to any homeowner interested in discussing their case. The participating counseling agencies have two counselors on site on Mondays and Fridays when pre-mediation sessions are scheduled.

The agencies that provide counselors on site at the Mediation Department are: Empowering & Strengthening Ohio's People (ESOP), Community Housing Solutions, Neighborhood Housing Services of Greater Cleveland, the Cleveland Housing Network and the Home Repair Resource Center. Counselor time at the Mediation Department is reimbursed to each agency by the Cuyahoga County Foreclosure Prevention Program which administers the effort. CCFPP keeps track of time, creates counselor schedules, maintains the computer access, provides office supplies, etc.

Funding for the start-up expenses and counseling time came from a grant from the Saint Luke's

Foundation. Costs to start-up the program were \$5,319.37 for furniture, computers and a video screen for information. The reimbursement for the counselors was \$23,332 from April-December 2010.

Mediators understand that housing counselors provide value to the mediation program in various ways. Counselors are able to assist homeowners in pulling together relevant financial documents and any information that is required in a successful mediation discussion. Perhaps more important, counselors get the homeowners focused on the bread and butter issues that are the basis for any mortgage settlement: calculating and substantiating monthly income and expenses. This saves time and energy for the homeowner, the plaintiff lender/servicers, and the mediators because it keeps the full mediation session focused on the crucial issues. Counselors can also explain to homeowners other assistance that may be available to them. Mediators can and will refer a homeowner to a counseling agency if they are in need of other assistance such as with utilities or other social services.

Between April 30 and December 31, 2010, Foreclosure Mediation Support Program counselors on site at the Justice Center saw 257 clients, about 18% of pre-mediations scheduled over that same period. 40% of those interviewed set up appointments for full intakes with one of the partner agencies. 7% reported that they were already working with a counseling agency. 47% of the homeowners seeing counselors were from Cleveland, a percentage comparable to the share of foreclosure filings from Cleveland.

Because of the inefficiencies of the regular foreclosure litigation, the Legal Aid Society now has a dedicated cadre of lawyers to assist homeowners in the foreclosure mediation process. Legal Aid attorneys are available to represent homeowners in both pre- and full mediation sessions and attended 127 pre-mediations and handled 159 full mediation conferences in 2010.

Mediators report that close to one third of the homeowners in mediation have worked with a counselor currently or in the past. Counseling agencies continue to report that mediation is a valuable tool to assist clients in addressing foreclosures.

### Table 13. Mediation Program

Cuyahoga County Foreclosure Mediation Program (June 2008 -June 2009 and January - December 2010)				
	June 2008 - June 2009			January - December 2010
	Total	Percent	Total	Percent
<b>Cases Referred</b>	<b>2846</b>	<b>100%</b>	<b>3855</b>	<b>100%</b>
Unsuitable	430	15%	559	15%
<b>Referred for Mediation</b>	<b>2416</b>	<b>85%</b>	<b>3296</b>	<b>85%</b>
Bankruptcy	46	2%	105	3%
Settled Prior	292	12%	-	-
Failure from Plaintiff	56	2%	65	2%
Failure from Defendant	356	15%	893	27%
<b>Pre-Mediation Held</b>	<b>1542</b>	<b>63%</b>	<b>3143</b>	<b>95%</b>
Mediations Held	443	28%	2376	76%
Settled	231	52%	1459	61%

Cuyahoga County Foreclosure Mediation Program (June 2008 -June 2009 and January - December 2010)				
	June 2008 - June 2009			January - December 2010
	Total	Percent	Total	Percent
<b>Referred for Mediation</b>	<b>2416</b>	<b>100%</b>	<b>3296</b>	<b>100%</b>
Pre-Mediation Held	1542	63%	3143	95%
Mediations Held	443	28%	2376	76%
Settled	231	52%	1459	51%
<b>Settlement Ratio</b>	<b>13%</b>	<b>N/A</b>	<b>46%</b>	<b>N/A</b>

As Table 13 indicates, in 2010 3,855 or 30% of all borrowers in foreclosure applied for mediation. This represents a 10% increase from the first year, when 20% of borrowers in foreclosure requested mediation. It is important to note only those with foreclosure filings pending against them are eligible for mediation while all homeowners are eligible for counseling. Homeowners do not have to be in foreclosure to seek counseling.

Of the 3,855 applications, 3,296 were accepted for mediation. In 2010, 2,376 full mediations were conducted by the parties. Over the course of the year 1,459 mediation cases were marked “settled and dismissed” on the court’s docket. This is a combined figure that includes cases settled before the full mediation occurred (marked as “Settled Prior” in the 2008-2009 columns) and cases that resolved as a result of the full mediation session. Mediators estimate that of the total number of settled and dismissed cases, approximately 85% are resolved keeping the homeowner in their house. The other 15% are probable consents to foreclosure, short sales or deeds-in-lieu of foreclosure, where the borrower lost their home, but transferred possession to the servicer in an orderly fashion.

Andrea R. Kinast, Foreclosure Mediator and Program Director estimates that 25% of mediation cases involve homeowners who have re-defaulted on their original mortgage modifications, many of which date back to modifications made in the pre-HAMP and early HAMP period. Short pay-offs, settling a



case for less than the loan balance, are becoming more common, increasing from an estimated 2% to 10% in the past year. Mediators are starting to see some other outcomes that involve principal reductions, but the norm is for lenders and servicers to resist any reduction in principal. The average age of mediation cases is 124 days. Some cases require follow-up mediations. In 2010, Kinast estimates that for the 2,376 full mediations conducted, they also held 920 follow-up mediation conferences (which could mean 6 on one case and none on another), as well as an equally large number of follow-up telephone conferences.

The Ohio Supreme Court has a Rule of Superintendence that provides a guideline for a maximum of 12 months for a local court to complete a foreclosure case. This timeline was causing problems because many mediated cases simply take longer to resolve successfully. In response to this issue the Ohio Supreme Court agreed to set up a pilot program for the Cuyahoga County Foreclosure Mediation effort. Under the pilot program, the court can “stay” foreclosure cases once they are accepted into mediation. The effect of this modified rule is to stop the clock from running on the Supreme Court’s foreclosure superintendence rule and thus protect judges from appearing to take excessive time resolving civil cases on the their personal dockets.

## **Conclusion**

The Cuyahoga County foreclosure prevention initiative continues to be a very effective tool in assisting the County’s homeowners at risk of foreclosure through multi-faceted services that include face-to-face counseling, rescue loans and mediation. A total of 11,065 homeowners at risk of foreclosure have taken advantage of the counseling program since it began in March 2006. As one measure of the program’s effectiveness, 47% of those who receive counseling were able to bring their mortgage current, have their mortgage modified, initiate forbearance, otherwise modify their mortgage, or sell their property through a deed-in-lieu, short sale or pre-foreclosure sale.

As these numbers reflect, it is increasingly challenging to assist homeowners, most of whom report that the reason for defaulting on their mortgage is loss or reduction of income. This is despite the many federal and state resources that have been made available just in the past year in addition to the substantial resources that the county has made available since 2006.

Meanwhile, homeowners continue to lose their homes to foreclosure and the number of vacant and abandoned properties continues to increase, further exacerbating the negative impact on communities. In the face of a constantly changing landscape of programs, funding, regulations and economic challenges, the county has continued to remain adaptive and flexible in dealing with the many facets of this problem. Through strong and forward looking leadership, a highly sophisticated network of counseling agencies, and the availability of good data at least on a county-wide basis, the initiative continues to be responsive to needs of homeowners and communities across the county.

One of the challenges looking ahead will be how best to raise awareness and reach out to suburban homeowners facing foreclosure to get them to take advantage of the resources available through the counseling program.



## Appendix A

2010 Demographics by Agency												
	CHN		CHS		ESOP		NHS		HRRC		Total	
RACE	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	251	29%	270	27%	468	37%	318	42%	50	24%	1357	33%
African American	547	62%	673	67%	668	53%	397	52%	152	74%	2437	59%
African American & White	2	0%	4	0%	2	0%	4	1%	1	0%	13	0%
American Indian/Alaskan	2	0%	0	0%	4	0%	0	0%	0	0%	6	0%
American Indian & White	2	0%	0	0%	1	0%	0	0%	0	0%	3	0%
Asian	6	1%	10	1%	7	1%	8	1%	0	0%	31	1%
Asian & White	1	0%	0	0%	1	0%	0	0%	0	0%	2	0%
Other	46	5%	49	5%	9	1%	35	5%	0	0%	139	3%
None Reported	20	2%	4	0%	108	9%	2	0%	2	1%	136	3%
<b>Total</b>	<b>877</b>	<b>100%</b>	<b>1010</b>	<b>100%</b>	<b>1268</b>	<b>100%</b>	<b>764</b>	<b>100%</b>	<b>205</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>
ETHNICITY	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Hispanic	33	4%	14	1%	48	4%	221	29%	197	96%	513	12%
Not Hispanic	763	87%	375	37%	815	64%	9	1%	6	3%	1968	48%
None Reported	81	9%	621	61%	405	32%	534	70%	2	1%	1643	40%
<b>Total</b>	<b>877</b>	<b>100%</b>	<b>1010</b>	<b>100%</b>	<b>1268</b>	<b>100%</b>	<b>764</b>	<b>100%</b>	<b>205</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>
GENDER	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	565	64%	587	58%	693	55%	449	59%	128	62%	2422	59%
Male	312	36%	423	42%	566	45%	315	41%	77	38%	1693	41%
None Reported	0	0%	0	0%	9	1%	0	0%	0	0%	9	0%
<b>Total</b>	<b>877</b>	<b>100%</b>	<b>1010</b>	<b>100%</b>	<b>1268</b>	<b>100%</b>	<b>764</b>	<b>100%</b>	<b>205</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>
HOUSEHOLD COMPOSITION	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Single Adult	0	0%	10	1%	301	24%	80	10%	60	29%	451	11%
Female-headed Single	0	0%	4	0%	354	28%	45	6%	60	29%	463	11%
Male-headed Single	0	0%	2	0%	48	4%	6	1%	14	7%	70	2%
Married with no dependents	0	0%	0	0%	175	14%	21	3%	6	3%	202	5%
Married with dependents	0	0%	9	1%	262	21%	63	8%	65	32%	399	10%
Two or more unrelated	0	0%	1	0%	45	4%	10	1%	0	0%	56	1%
Other	0	0%	1	0%	44	3%	5	1%	0	0%	50	1%
None Reported	877	100%	983	97%	39	3%	534	70%	0	0%	2433	59%
<b>Total</b>	<b>877</b>	<b>100%</b>	<b>1010</b>	<b>100%</b>	<b>1268</b>	<b>100%</b>	<b>764</b>	<b>100%</b>	<b>205</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>
AGE	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
62 and over	101	12%	141	14%	155	12%	70	9%	28	14%	495	12%
Under 62	634	72%	543	54%	991	78%	419	55%	177	86%	2764	67%
None Reported	142	16%	326	32%	122	10%	275	36%	0	0%	865	21%
<b>Total</b>	<b>776</b>	<b>100%</b>	<b>869</b>	<b>100%</b>	<b>1113</b>	<b>100%</b>	<b>694</b>	<b>100%</b>	<b>177</b>	<b>100%</b>	<b>3629</b>	<b>100%</b>
INCOME	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 50% of AMI	538	61%	461	46%	388	31%	440	58%	97	47%	1924	47%
50-79% of AMI	219	25%	329	33%	340	27%	210	27%	70	34%	1168	28%
80-100% of AMI	54	6%	104	10%	344	27%	52	7%	16	8%	570	14%
Greater than 100% of AMI	66	8%	116	11%	188	15%	62	8%	22	11%	454	11%
None Reported	0	0%	0	0%	8	1%	0	0%	0	0%	8	0%
<b>Total</b>	<b>877</b>	<b>100%</b>	<b>1010</b>	<b>100%</b>	<b>1268</b>	<b>100%</b>	<b>764</b>	<b>100%</b>	<b>205</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>
CREDIT RATING	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
700 and up (excellent)	24	3%	9	1%	81	6%	27	4%	2	1%	143	3%
680-699 (good)	12	1%	9	1%	28	2%	8	1%	1	0%	58	1%
620-679 (fair)	69	8%	40	4%	102	8%	47	6%	8	4%	266	6%
580-619 (poor)	66	8%	47	5%	156	12%	70	9%	6	3%	345	8%
500-580 (bad)	260	30%	191	19%	453	36%	190	25%	28	14%	1122	27%
499 and below (very bad)	187	21%	118	12%	338	27%	192	25%	30	15%	865	21%
None Reported	259	30%	596	59%	110	9%	230	30%	130	63%	1325	32%
<b>Total</b>	<b>877</b>	<b>100%</b>	<b>1010</b>	<b>100%</b>	<b>1268</b>	<b>100%</b>	<b>764</b>	<b>100%</b>	<b>205</b>	<b>100%</b>	<b>4124</b>	<b>100%</b>

## Appendix B

2010 Counseling Outcome by Agency												
	CHN		CHS		ESOP		NHS		HRRC		Total	
SUCCESSFUL OUTCOME	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>MORTGAGE MODIFIED</b>												
Brought Mortgage Current	31	8%	50	7%	4	1%	78	17%	14	18%	177	8%
Mortgage Refinanced	2	1%	1	0%	0	0%	3	1%	0	0%	6	0%
Mortgage Modified	94	24%	132	20%	124	25%	108	23%	20	26%	478	22%
Referred Homeowner to Servicer with Action Plan and No Further Counseling	0	0%	0	0%	50	10%	5	1%	1	1%	56	3%
Initiated Forbearance	33	8%	126	19%	42	8%	11	2%	0	0%	212	10%
Received 2nd Mortgage	0	0%	1	0%	0	0%	0	0%	0	0%	1	0%
Obtained Partial Claim Loan from FHA Lender	1	0%	0	0%	0	0%	1	0%	0	0%	2	0%
Sub-Total	161	40%	310	46%	220	44%	206	44%	35	45%	932	44%
<b>OTHER SUCCESSFUL OUTCOME</b>												
Executed deed-in-lieu	2	6%	3	0%	4	1%	1	0%	1	1%	11	1%
Sold Property but not a short sale	1	3%	2	0%	0	0%	0	0%	0	0%	3	0%
Pre-Foreclosure Sale or Short Sale	30	91%	8	1%	3	1%	6	1%	4	5%	51	2%
Sub-Total	33	8%	13	2%	7	1%	7	1%	5	6%	65	3%
<b>TOTAL, SUCCESSFUL OUTCOME</b>	<b>194</b>	<b>49%</b>	<b>323</b>	<b>48%</b>	<b>227</b>	<b>45%</b>	<b>213</b>	<b>45%</b>	<b>40</b>	<b>51%</b>	<b>997</b>	<b>47%</b>
<b>FORECLOSURE</b>												
Mortgage Foreclosed	9	2%	24	4%	11	2%	21	4%	6	8%	71	3%
<b>ONGOING</b>												
Counseled & Referred to Social Service or Emergency Foreclosure put on hold or in moratorium; final outcome unknown	31	8%	19	3%	2	0%	10	2%	0	0%	62	3%
Counseled & Referred to Legal Service	0	0%	2	0%	13	3%	7	1%	0	0%	22	1%
	51	13%	55	8%	5	1%	12	3%	5	6%	128	6%
Total	82	21%	76	11%	20	4%	29	6%	5	6%	212	10%
<b>OTHER</b>												
Other	0	0%	1	0%	7	1%	8	2%	0	0%	16	1%
Bankruptcy	12	3%	9	1%	4	1%	7	1%	2	3%	34	2%
Counseled on Debt Management or sent to Debt Management Agency	2	1%	9	1%	5	1%	3	1%	0	0%	19	1%
Withdrew/Suspended	100	25%	233	35%	231	46%	188	40%	25	32%	777	37%
Total	114	29%	252	37%	247	49%	206	44%	27	35%	846	40%
<b>TOTAL</b>	<b>399</b>	<b>45%</b>	<b>675</b>	<b>67%</b>	<b>505</b>	<b>40%</b>	<b>469</b>	<b>61%</b>	<b>78</b>	<b>38%</b>	<b>2126</b>	<b>52%</b>
Currently Receiving Counseling	478	55%	335	33%	763	60%	295	39%	127	62%	1998	48%

Total Clients Seen 877 1010 1268 764 205 4124

## Appendix C

### Cuyahoga County Foreclosure Prevention Program Service Delivery Partners: Counseling Agencies



**Cleveland Housing Network (CHN)** - The mission of CHN is to develop affordable housing for low- and moderate-income Clevelanders, with a special emphasis on generating pathways out of poverty and providing homeownership opportunities. In partnership with our 16 constituent community development corporations, CHN implements a strategic set of programs and services to accomplish its mission—primarily the large-scale production of superior quality, affordable homes and the provision of a broad array of training and counseling services that enable families to escape poverty, build wealth, and become homeowners. CHN provides resident services, lease purchase program, family services, Homeward Homes homebuyer program, energy and water conservation program, real estate development and its community training and technology center which houses its foreclosure prevention program.



**Community Housing Solutions (CHS)** – Formerly known as Lutheran Housing Corporation, the mission of CHS is to assist low and moderate income families obtain and maintain safe, decent, and affordable housing. CHS provides both pre-purchase and foreclosure prevention counseling. CHS has 6 housing counselors and one housing counseling secretary. In addition to housing counseling, CHS provides tool loan and home maintenance training, minor home repair, energy conservation and new housing construction services.



**Empowering and Strengthening Ohio's People (ESOP)** - The East Side Organizing Project (ESOP) was founded in 1993 to create organized leadership around issues impacting neighborhood life in the Cleveland area. In the late 1990's, ESOP began to shift its focus toward predatory lending and foreclosures. Over the past several years, much of ESOP's work has focused on foreclosure prevention in Cuyahoga County. ESOP is currently expanding its efforts throughout the state of Ohio. In August of 2007, ESOP changed its name to "Empowering and Strengthening Ohio's People" to emphasize the new state-wide focus. ESOP engages in direct action community organizing and foreclosure prevention advocacy. ESOP uses a Hot Spot Card process, through which homeowners complete documentation and provide financial information relevant to their case, and have the

opportunity to make suggestions to the lender for a resolution.



**Home Repair Resource Center** – Home Repair Resource Center’s mission is accomplished through a creative mix of self-help programs that include financial assistance, education and skills training to enable homeowners – particularly homeowners of low or moderate income – to accomplish repairs on a contracted or do-self basis. Home Repair Resource Center offers financial assistance for home repairs, counseling & financial education, foreclosure interview, repair and education programs, and educational resources. HHRC is a HUD-approved counseling agency that serves all Ohio residents. It employs two full-time housing counselors.



**Greater Cleveland NHS** Neighborhood Housing Services of Cleveland - Neighborhood Housing Services of Greater Cleveland provides ongoing programs and services for achieving, preserving, and sustaining the American dream of home ownership. NHS offers programs and services that create homeownership and build communities including homeownership education, down payment assistance, homeownership preservation, and foreclosure prevention.